

VZCZCXYZ0000
RR RUEHWEB

DE RUEHMU #1034/01 2931904
ZNY CCCCC ZZH
R 201904Z OCT 09
FM AMEMBASSY MANAGUA
TO RUEHC/SECSTATE WASHDC 4672
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHMO/AMEMBASSY MOSCOW 0202
RHEFDIA/DIA WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUEAIIA/CIA WASHDC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUMIAAA/CDR USSOUTHCOM MIAMI FL
RHEHNSC/NSC WASHINGTON DC

C O N F I D E N T I A L MANAGUA 001034

SENSITIVE
SIPDIS

STATE FOR WHA/CEN, WHA/EPSC AND EEB
STATE PASS USTR
EEB FOR CIP/BA
TREASURY FOR SARA SENICH
USDOC FOR 4332/ITA/MAC/WH/MSIEGELMAN

E.O. 12958: DECL: 10/20/2019
TAGS: [ECON](#) [ECPS](#) [ETRD](#) [PGOV](#) [TINT](#) [RS](#) [NU](#)
SUBJECT: NICARAGUA: TELECOM LICENSE SENDS BAD SIGNAL

REF: A. MANAGUA 562
[1](#)B. MANAGUA 947
[1](#)C. MANAGUA 959

Classified By: Ambassador Robert J. Callahan for reasons 1.4 b & d.

SUMMARY

[1](#)1. (C) On September 30, the Nicaraguan Telecommunications and Postal Services Institute (TELCOR) awarded a license allowing a Russian-Nicaraguan joint venture, Yota de Nicaragua (Yota), to offer telephone and internet services via wireless technology. Local reaction to the licensing agreement has been highly critical and well-publicized in the Nicaraguan media, amid claims of favoritism and a lack of transparency. The local partners have close ties to the ruling Sandinista National Liberation Front (FSLN) party. The involvement of a Russian firm reflects Ortega's desire to strengthen bilateral ties and presumably obtain further Russian assistance. The non-transparent nature of the Yota award only serves to further damage Nicaragua's already poor investment climate.

Russian Telecom Firm Awarded License

[1](#)2. (U) On September 30, TELCOR (the GON,s telecommunications regulator) awarded a license to provide telephone and internet services via wireless technology. A request for proposals appeared on TELCOR's website on July 24 with an abbreviated bidding window of July 27 to 30. In addition to Yota, three other companies -- Movistar, Claro and Amnet -- competed for the license despite the tight deadline.

[1](#)3. (C) The winner, Yota, is a Russian-Nicaraguan joint venture that partners Russian state-owned Rostekhnologii with Nicaraguans Jose Mojica Mejia and Jose Maria Enriquez Moncada. According to press reports, Mejia is an associate of President Daniel Ortega and First Lady Rosario Murillo, while Moncada maintains close ties to Ortega,s chief economic advisor, Bayardo Arce. Moreover, Mejia's ex-wife is on staff at TELCOR as an advisor to President Orlando Castillo.

[1](#)4. (U) Yota claims it will offer the Nicaraguan market fourth generation (4G) wireless technology, which allows

faster rates of data transmission compared to existing 3G technologies. On October 5, Petteri Saarinen of telecommunications company Ericsson AB told econoff that 4G technology would require repeater station equipment to be installed on existing or new telecommunication towers to transmit wireless signals to Yota modems, making it essentially a fixed line. Petteri suggested that the licensed frequency (2500-2690 MHZ) would be practical only for service in Managua where fixed line density is already high. At present, Nicaragua's wireless sector is dominated by a duopoly)- Claro, part of the Mexican tycoon Carlos Slim's America Movil, and Telefonica de Espana's Movistar, both of which have grown quickly in recent years with the expansion of rural wireless service.

Local Reaction Critical

15. (C) Industry experts characterized the three-day bidding period as highly unusual. Mario Gonzalez, a former TELCOR Director, told econoff on October 5 that the process by which TELCOR selected Yota for the new license lacked transparency.

Gonzalez cited Nicaraguan procurement and licensing norms, which dictate that bidders' technical and cost proposals publicly be compared. In reality, according to Gonzalez, Yota's proposal was the only bid opened, and subsequently selected, without review. Roger Arteaga, President of the American Chamber of Commerce of Nicaragua, lodged similar complaints. In addition, Gonzalez opined that given the lack of transparency in the selection of Yota, it was likely that the GON would continue to offer preferential treatment to the company within the telecommunications market. He suggested that the GON could compel competing companies to allow Yota to place its repeater station equipment on existing towers throughout the country.

16. (U) Both major daily newspapers have run front-page, above-the-fold articles on the Yota licensing issue over the last three weeks. La Prensa, the leading center-right daily, published an article on October 6 citing an anonymous GON source who stated that the Yota license opens the door for the company to provide other telecommunications services as well. The source suggested that TELCOR will grant Yota additional lower frequencies without competition. With additional frequencies Yota will then be able to tap into the lucrative cellular, internet, and television markets.

Comment

17. (C) Unfortunately, Nicaragua's telecom sector lacks a regulatory environment that would truly foster a free and competitive market (Ref A). The recent cancellation of the Amayo wind generation permit without a clear explanation (Ref B) and now the nontransparent awarding of a telecommunications license to Yota demonstrate that doing business in Nicaragua is increasingly contingent upon close ties to President Ortega and First Lady Rosario Murillo. The fact that Yota is a Russian company also serves Ortega's geopolitical aspirations to recultivate close ties with Moscow. However, Yota appears to be a legitimate provider of 4G wireless technology, and its presence in Nicaragua could conceivably lead to increased consumer choice apart from the existing telecommunications duopoly of Claro and Movistar.

CALLAHAN